



STATE OF CALIFORNIA

December 24, 2001

Senator Jackie Speier, Chair  
Senate Insurance Committee  
State Capitol  
Room 2032  
Sacramento, CA 95814

Assemblyman Thomas M. Calderon, Chair  
Assembly Insurance Committee  
State Capitol  
P.O. Box 942849  
Sacramento, CA 94249-0001

RE: **Report to Senate Insurance Committee and Assembly Insurance Committee Concerning Qualified Associations' Reporting Requirements, Health and Safety Code § 1357.16**

Dear Senator Speier and Assemblyman Calderon:

The Department of Managed Health Care (the "Department") is required to monitor health care service plans' compliance with Health and Safety Code § 1357.16 and report the impact of any health plan non-compliance to the Assembly Insurance Committee and Senate Insurance Committee on January 1, 2002.

Health and Safety Code § 1357.16 sets forth requirements for health care service plans that enter into contracts with "qualified associations" as defined in § 1357.16(b). In addition to other requirements, in no instance may a health plan provide discounts to qualified associations that are in any way intended to, or materially result in, a reduction in premium charges to the qualified association due to the health status of the membership of the qualified association.

The Department has surveyed the health care service plans licensed under the Knox-Keene Health Care Service Plan Act. A copy of the Department's survey is attached. Thus far, 46 of the 48 full-service Knox-Keene licensed health plans have responded to the survey. One of these 48 plans is pending license revocation and will not be responding. A second plan has only Medi-Cal enrollment and § 1357.16 is not applicable. Survey findings are as follows:

Forty-one full-service health plans report they do not have any contracts with qualified associations.

GRAY DAVIS  
GOVERNOR

BUSINESS,  
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DEPARTMENT OF MANAGED HEALTH CARE

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Five health plans report contracts with qualified associations. Each of these five plans has responded to the survey regarding compliance with § 1357.16 requirements. Of these five plans, reporting for four plans is in compliance with § 1357.16 requirements.

The Department is following up with the one plan that must file additional information to demonstrate compliance with § 1357.16 requirements.<sup>1</sup> We will apprise you of the additional response and compliance with the statute in the near future.

Please contact Herb K. Schultz, Deputy Director for External Affairs, or Sherrie Lowenstein, Senior Counsel/Legislative Coordinator, if you have any questions or need additional information. Herb Schultz can be reached at 916-322-2310. Sherrie Lowenstein can be reached at 916-322-5874.

Sincerely,

Daniel Zingale  
Director  
Department of Managed Health Care

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<sup>1</sup> On December 21, 2001, this plan was contacted to review its response to the survey. This plan will be submitting further information to the Department.

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